

DRS EMPLOYER ADVISORY COMMITTEE M I N U T E S

March 27, 2003

DRS Members Present:

Dave Nelsen, Chairperson.

Additional DRS Staff Present:

Rachel Nesse, Public Employees' Retirement System Plan 3 Project; Michelle Hardesty, Employer Support Services; Brian Berghoff, Employer Support Services and Jeralyn Faulhaber, Administrative Services.

Employer Members Present:

Cindy Lee, King County; Joanne Amrine, Chehalis School District; Chandra Winston, Port of Seattle; Susan Sparks, Human Resources Information Systems Division (HRISD); Pamm Scott, Bellevue Community College; Sally Spangler, Washington State Patrol; Marcia Moore, Central Kitsap School District; Nancy Savage, Pierce County; Rachel Brock, University of Washington; Michelle Mortimer, City of Olympia; and John Goetz, Center for Information Services.

Employer Members Not Present:

Brigitte Hoopes, City of Kent; Reagan Ulrich, Chelan County PUD 01; Mary Christle, Educational Service District; Tom Gaines, Washington School Information Processing Cooperative (WSIPC); and Liz Hoffman, Department of Social and Health Services.

Additional Employer Attendees:

John McGuire, Department of Social and Health Services; Kimberly Holtz, Office of Financial Management; Sharon Brown, King County; Nancy Pooler, Port of Seattle; and Gail Davila, City of Bellevue.

Agenda Items:

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| • Welcome and Announcements
<i>Dave Nelsen</i> | • Employer Handbook – CD vs. Paper
<i>Dave Nelsen</i> |
| • Legislative Summary
<i>Dave Nelsen</i> | • Statewide Training
<i>Brian Berghoff</i> |
| • PERS 3 Update
<i>Rachel Nesse</i> | • Open Discussion
<i>Committee</i> |
| • Use of Email for Communication and
Requests for Information
<i>Dave Nelsen</i> | • Agenda Items for Next Meeting
<i>Committee</i> |

LEGISLATIVE SUMMARY

Dave Nelsen, Chairperson, discussed the current Joint Committee on Pension Policy (JCPP) bills, and other pension-related legislation, that have passed out of their committee of origin and are still alive. The most up-to-date information on pension legislation is posted on the DRS Web site at: <http://www.wa.gov/DRS/leg/index.htm>.

JCPP Legislation

EMTs into LEOFF - SSB 5089/SHB 1202

This bill would allow firefighter emergency medical technicians (EMTs) to transfer Public Employees' Retirement System (PERS) Plan 1 or Plan 2 service credit to LEOFF Plan 2 if, while employed for a city, town, county or district, the EMT's job was relocated from another department of a city, town, county, or district to a fire department.

Disability Board Membership - SB 5090/HB 1198

This bill clarifies that LEOFF Plan 2 members may serve on LEOFF Plan 1 disability boards provided that they are elected by those LEOFF 1 members and retirees who are subject to the jurisdiction of the board.

Plan 3 Member Contribution Rates - SB 5091/HB 1206

This bill would give members of PERS Plan 3, SERS Plan 3, and TRS Plan 3 an annual window in which they could change their member contribution rate. The first rate change window would be in January 2004.

\$150,000 Death Benefit - SB 5092/HB 1207

This bill would provide a \$150,000 duty-related death benefit to survivors of PERS, SERS, and TRS plan members who die as a result of injuries sustained in the course of employment. A similar bill was recommended by the JCPP in the 2002 legislative session.

Age 70 ½ Retirement - SB 5093/HB 1209

This bill would allow vested members of TRS, SERS, or PERS to terminate retirement system membership and begin receiving their retirement benefits at age 70½ while continuing to work. The bill does not apply to a member who is a state elected official on the effective date of the act, unless that member leaves elected office or is reappointed or reelected after the effective date of the bill.

SERS Substitutes - SB 5094/ HB 1203

This bill would allow a substitute school employee to apply to DRS for service credit after the end of the school year during which the work was performed. The substitute would be able to obtain service credit by paying the required contribution to the retirement system. The employer would pay the required employer contribution upon notice from DRS that the substitute had made contributions.

Elected Officials Opt In/Opt Out - SB 5095/HB 1201

This bill would allow members of TRS, SERS, LEOFF or PERS who hold state elective office, at the end of a term of office, to terminate active membership and begin receiving retirement benefits.

TRS Plan 1 AFC - SB 5096/HB 1199

This bill would adjust the Average Final Compensation (AFC) for TRS Plan 1 members employed by a district that uses an extended school year.

Fish and Wildlife Enforcement Officers into LEOFF - SB 5098/HB 1205

This bill would move fish and wildlife enforcement officers from PERS 2 or PERS 3 into LEOFF 2 prospectively. Prior service would remain in PERS. PERS 1 members would remain in PERS.

Governance - SHB 1204

This bill would replace the current Joint Committee on Pension Policy with a 20-member Joint Select Committee on Pension Policy composed of elected officials, stakeholder representatives, employer representatives and the Directors of DRS and OFM.

Fallen Heroes' Survivor Benefit - SB 5100/HB 1208

This bill would provide that pension payments to qualifying beneficiaries of public safety officers who died in the line of duty would not be subject to federal income tax, as provided in federal law.

Other Pension-Related Legislation**Plan 3 Vesting - SHB 1298**

Under this bill, any PERS, SERS, or TRS Plan 3 member could retire at age 65 with five years of service.

Death Benefits for PERS, SERS, and TRS - SB 5535/HB 1519

Under this bill, retirement benefits of a member killed in the course of employment would be subject to a three percent per year reduction for each year the member would have been eligible for normal retirement, instead of the full actuarial reduction in current law. The bill would apply retroactively to include any members killed on or after July 1, 2001.

PERS Plan 1/TRS Plan 1 Retire/Rehire - ESSB 5742

This bill would provide that PERS 1 or TRS Plan 1 retirees who are rehired after being separated for 90 days will have their pension payments stopped if they work beyond 1500 hours in a calendar year. PERS 1 or TRS Plan 1 retirees who are rehired after being separated for at least 30 days would have their pension payments stopped if they work beyond 867 hours in a calendar year. PERS and TRS employers would be required to adopt and publish policies regarding the hiring of retirees. The highest public officer of the employer would have to approve the hiring of all retirees. The policies and hiring activities would be subject to audit by the State Auditor.

PERS Plan 1/TRS Plan 1 Retire/Rehire - SHB 1829

This bill provides that a person does not separate from service if the employee and employer verbally agree that the employee will resume employment with the same employer following termination. False claims would be subject to criminal penalties. The bill also requires that a PERS 1 or TRS 1 retiree who was separated from employment for less than two calendar months before reemployment would have their pension reduced if they work beyond 867 hours.

Plan 3 Defined Benefit Waiver Option – SSB 6013/HB 2186

Under this bill, a member of TRS Plan 3, SERS Plan 3, or PERS Plan 3 who has received a defined contribution distribution may make an irrevocable choice to waive all rights to receive defined benefit payments.

Implementing Initiative 790 - SHB 2197

Initiative 790, which created a Board of Trustees for the governance of LEOFF Plan 2, required the Department of Retirement Systems and the Office of the State Actuary to jointly prepare implementing legislation. This bill makes necessary statutory corrections to facilitate implementation of the Initiative.

Additional Discussion

Discussion surrounded the two Retire/Rehire bills that are still alive. Neither bill as it currently exists would change reporting requirements for employers, however, some agencies are currently putting policies in place to prevent any potential abuse of this legislation. Note: Retire/Rehire legislation, current and future, does not affect, nor does it impact TIAA/CREF in any way. TIAA/CREF is its own retirement plan and is totally separate from any DRS plans.

Two bills that did not make it out of their committee of origin, and are considered mostly dead, are SB 1458 and SB 2180. However, both bills could potentially be considered “*as necessary to implement the budget*” and could be resurrected.

- ◆ **SB 1458** - would allow employers to offer retirement incentive programs. California currently has this type of program in place and it is extremely complex to administer. According to the benchmarking study done by Cost Effectiveness Measurement, Inc., Washington State is already the third most complex retirement system in the nation, with California rated number one.
- ◆ **SB 2180** - would allow PERS 1 members who are already eligible to retire, the option of withdrawing their portion of their contributions and taking a reduction in their monthly benefit, equivalent to 3% per year. This is similar to the way the Teachers’ Plan 1 Retirement System operates. It could also provide for \$10 per year of service credit to assist in paying for health care benefits.

Chair Nelsen also gave the Committee a heads up that contribution rates will be changing in July. DRS will announce these new rates as soon as they are adopted.

PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) PLAN 3 UPDATE

Rachel Nesse, PERS Plan 3 Project Manager, was introduced and updated the Committee on activities surrounding the PERS Plan 3 project. The following are highlights of those activities:

Overall project status

- ◆ Monitoring and supporting Phase 2 members and employers
- ◆ Phase 2 Seminars as of March 23, 2003
 - 828 Transfer Education Seminars have been conducted, with 10,007 attendees
 - 770 Investment Education Seminars have been conducted, with 5,997 attendees
- ◆ The team is beginning “end of the project activities” by transitioning communications, client services, programming and administrative items to the operational units

Communications

Copies of the December 2002 *Employer Update* and *PERS Plan 3 Transfer Decision News* were distributed. The team is currently preparing the April 2003 editions of these publications. An *Employer Update* will be mailed to Phase 2 employers the first week in April. Articles highlighted in the *Employer Update* publication will include:

- ◆ The May 31, 2003 employee transfer deadline
- ◆ Asking employers to remind employees to submit their Member Information Form to them for processing and not to DRS
- ◆ There is still room in the Transfer Decision Seminars and the ongoing Investment Basics and Distribution seminars

The *Phase 2 PERS Plan 3 Transfer Decision News* will be mailed the second week in April to members' homes. Articles highlighted in this publication include:

- ◆ The May 31, 2003 deadline
- ◆ Instruction to members to turn in their Member Information Form to their employers
- ◆ Seminar availability and schedule
- ◆ The basic differences between Plan 2 and Plan 3 benefits
- ◆ Who to call for questions
- ◆ What are investment options and what can I expect?
- ◆ Additional resources of information
- ◆ Frequently asked questions

Additional PERS 3 Items of Interest

- ◆ The transfer payment for both Phase 1 and Phase 2 Plan 3 members is June 2, 2003
- ◆ The Phase 2 Plan 3 transfer rate is currently at 11.6%

A question arose regarding members that are called up for military duty. DRS has information available on its Web site that is specifically designed to address military service credit issues. The brochure explains how retirement benefits may be impacted by military service and what options are available to the member. Employers are encouraged to direct members with questions to the Web site at: <http://www.wa.gov/drs/member/publications.htm>.

USE OF EMAIL FOR COMMUNICATION AND REQUESTS FOR INFORMATION

Over the past year, DRS has used email more often than Employer Notices to communicate messages of a more informal nature with employers. Chair Nelsen asked for feedback from the Committee on how this mode of communication works for them. The general consensus of the group is that they prefer this method and would like to see it used even more. Comments included:

- ◆ It's so much easier to distribute to our staff that need it than making copies and distributing the paper.
- ◆ Do the Employer Survey and Employer Notices with links to the Web versions via email too!

EMPLOYER HANDBOOK – CD vs. PAPER

Dave Nelsen distributed a handout, which reflected the rating and comments to the question on the 2003 Employer Survey "*How satisfied would you be with receiving a regularly updated (at*

least annually) Employer Handbook on Compact Disc (CD) instead of the current paper version?" The Committee overwhelmingly preferred a CD vs. paper copy, but added they would rather have access to it on the Web even more than a CD. With an updated Web version, an email could be sent to employers indicated which sections had been updated. Some members still prefer the paper copy but are willing to print the updates from the Web site, since the cost savings realized vs. printing would be significant. The Committee recommended a CD version for only those employers who do not have access to the Internet.

STATEWIDE TRAINING

Brian Berghoff, Employer Support Services Manager, announced that the 2003 Statewide Employer Training Workshops will begin in April 2003 and are scheduled through November 2003.

- ◆ Workshop A (April – July) will cover Eligibility, Retirees and eServices
- ◆ Workshop B (August – November) will cover Edit Messages, Corrections and eServices

Employers are welcome and encouraged to sign up for both workshops. These workshops are for new employers, new payroll staff and for those that would like to just brush up on their knowledge.

The workshops are 3-hours in duration and will be held in various locations across Washington State. A new aspect of the training is the opportunity to schedule one-on one consultation time after the workshop, in 30 and 60 minutes increments, to address any issues or questions specific to the employer's organization.

To view workshop schedules and locations, go to the DRS Employer Information Web page at http://www-app3.wa.gov/drs/registration/statewide_index.htm. Employers can also register online at: http://www-app3.wa.gov/drs/scripts/frm_statewide.asp or by calling 1-800-547-6657, choose option '6' and then option '2', between 8 a.m. and 5 p.m., or locally at 360-664-7200. Hearing impaired members may call the TDD line at 360-586-5450.

Mr. Berghoff also announced that Employer Support Services is in the process of developing an online Employer Training Tutorial to assist new payroll staff and employers on reporting. This will be a more timely way of providing training to new employers or payroll staff that need to begin reporting and can't wait for a statewide training opportunity.

OPEN DISCUSSION

The following are issues raised during the meeting:

Annual Statement Update

- ◆ Feedback from employers was that members and employers really like the new look of the Member Annual Statement. Employers reported many more inquiries regarding members' service credit due to the member reading the information more carefully and indicated it was much easier to research the issues now, as opposed to 20 years later, when the member retires.
- ◆ A thank you to DRS from employers on implementing the Earnings Screen. It makes it much easier to have this information readily accessible!

Secure Email/Encrypted Software

- ◆ DSHS has encrypted software that automatically kicks out emails that have social security numbers included in them. Other employers state that their organizations have similar software. A suggestion was made to create an attachment to the email that could include the SSNs and password protect it, instead of having the SSNs in the body of the email.

NEXT MEETING

The next EAC meeting is scheduled for June 26, 2003, from 9:30 a.m. to 12 p.m., at the DRS Point Plaza West building, located at 6835 Capitol Boulevard in Tumwater. Please see the map to DRS on the EAC Web site for directions to the facility at:

<http://www.wa.gov/drs/agency/mappage.htm>.

AGENDA ITEMS FOR THE JUNE 26, 2003

The following are proposed agenda items for the June 26, 2003 meeting:

- ◆ Secured Email Processes
- ◆ PERS 3 Final Outcomes
- ◆ New or Proposed Contribution Rates

A confirmed agenda will be available on the Employer Advisory Committee Web site in early June 2003 at <http://www.wa.gov/drs/employer/eac/index.htm>.

PARKING FOR THE MEETINGS

There are visitors' parking spaces located in front of the building. You may also park in any stall that is not marked for another agency such as DSHS or OFM.

QUESTIONS?

If you have any questions, please contact Dave Nelsen at (360) 664-7304, 1-800-547-6657 ext. 47304 or by e-mail at daven@drs.wa.gov.